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Gross Rent Multiplier (GRM)
Income Approach to Value
on Single-family and Small Multi-family Properties

Since single-family residential properties normally are not purchased as investments, there is no authentic income approach to value for this class of the property. However, a method of valuation that considers the income, i.e., rent, has been developed by appraisers. This method uses what is known as a gross rent multiplier (GRM).

The GRM gives a simple, direct estimate of value and does not require the development of a reconstructed, annual operating statement nor a capitalization rate. A gross rent multiplier is developed by dividing the sale price of a property by its monthly gross income.

Sale Price ÷ Monthly Gross Income = GRM

Example: \$60,000 ÷ \$525 = 114

This formula is applied to all valid sales that were rented at, or near, the time of sale within the neighborhood of the subject property. The resultant GRM's are then reviewed and a representative GRM is chosen to use within the neighborhood.

To estimate the value of a subject property, the monthly market rent for the subject is multiplied by the GRM for the neighborhood.

Subject's monthly market rent X GRM = Market Value

Example: \$600 X 114 = \$68,400

This same method can be applied to all types of small residential properties such as duplexes, triplexes, and quadplexes. However, each type of property must have a separate GRM developed. In other words, the GRM for single-family residential property in a neighborhood cannot be used to value duplexes within that neighborhood.